

Message Text

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ACTION EB-07

INFO OCT-01 ISO-00 AF-10 ARA-06 EA-07 EUR-12 NEA-10
AGR-05 COME-00 ITC-01 TRSE-00 SS-15 SP-02 L-03
H-01 NSC-05 CIAE-00 DODE-00 INR-07 NSAE-00 PA-01
USIA-06 PRS-01 OIC-02 STR-04 AID-05 IGA-02 EPG-02
IO-13 /128 W

-----231058Z 003731 /10

R 230749Z MAY 77
FM USMISSION GENEVA
TO SECSTATE WASHDC 7570
INFO AMEMBASSY ALGIERS
AMEMBASSY BRASILIA
AMEMBASSY BUENOS AIRES
AMEMBACCY CANBERRA
AMEMBASSY BERLIN
AMEMBASSY HELSINKI
AMEMBASSY KINGSTON
AMEMBASSY MBABANE
AMEMBASSY PRAGUE
AMEMBASSY PORT OF SPAIN
AMEMBASSY MOSCOW
AMEMBASSY PRETORIA
AMEMBASSY PORT LOUIS
AMEMBASSY SANTO DOMINGO
AMEMBASSY TOKYO
AMEMBASSY WARSAW
AMEMBASSY WELLINGTON
AMEMBASSY OTTAWA
AMEMBASSY STOCKHOLM
AMEMBASSY SUVA
USMISSION EC BRUSSELS

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E.O. 11652: N/A
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TAGS: UNCTAD, ETRD
SUBJ: SUGAR NEGOTIATIONS: MEETINGS OF WG-V, ON SCOPE OF AGREE-
MENT (SPECIAL ARRANGEMENTS).

REF: GENEVA 3931

1. SUMMARY: WORKING GROUP (WG V) OF THE ECONOMIC

COMMITTEE ON "SCOPE", WHICH WAS SET UP PRIMARILY TO DEAL WITH QUESTION OF SPECIAL ARRANGEMENTS (PREFERENTIAL DEALS BETWEEN COUNTRIES FOR TRADE OUTSIDE THE FREE MARKET) WAS FINALLY CONSTITUTED ON MAY 16, UNDER THE CHAIRMANSHIP OF THE US (THIGPEN). IN ADDITION TO THE US, ALGERIA, ARGENTINA, AUSTRALIA, BRAZIL, CANADA, CZECHOSLOVAKIA, CUBA, DOMINICAN REPUBLIC, THE EEC, GDR, FIJI, FINLAND, JAMAICA, JAPAN, MAURITIUS, NEW ZEALAND, POLAND, SOUTH AFRICA, SWEDEN, SWAZILAND, TRINIDAD AND TOBAGO, AND THE USSR ARE MEMBERS. IN THREE SUBSTANTIVE MEETINGS DURING THE WEEK OF MAY 16, WG V RAPIDLY DEFINED ISSUES AND CLEARED AWAY A NUMBER OF MINOR POINTS. HOWEVER, PROGRESS WAS NOT POSSIBLE ON THE MAJOR ISSUE, CONSIDERATION OF THE ARRANGEMENT BETWEEN CUBA AND THE SOCIALIST COUNTRIES. CUBA SAID IT HAD NOT COMPLETED CONSULTATIONS WITH THE USSR AND WAS UNABLE TO PRESENT DETAILS OF ITS PROPOSAL TO "CAP" RE-EXPORTS OF CUBAN SUGAR FROM SOCIALIST COUNTRIES TO THE FREE MARKET. CUBA PROMISED TO PRESENT DETAILS EARLY NEXT WEEK. DURING THE FIRST SUBSTANTIVE MEETING OF WG V, LINES WERE CLEARLY DRAWN. MOST COUNTRIES, INCLUDING THE US, WANT TO REGULATE SPECIAL ARRANGEMENTS, AND INSIST UPON "TRANSPARENCY." CUBA SEEMS UNWILLING TO MOVE MUCH BEYOND ITS PROMISE TO ATTEMPT TO LIMIT RE-EXPORTS. END SUMMARY.

2. FIRST SESSION ON MARCH 17 WAS GENERALLY ATTENDED BY SENIOR MEMBERS OF DELEGATIONS, INCLUDING CUBAN CHIEF, MARCELO FERNANDEZ FONT. AS AGREED IN PRIOR CONSULTATIONS, MAJOR DELEGATIONS WERE PREPARED WITH "BRIEF BUT BLUNT" STATEMENTS OF POSITION. LINES WERE QUICKLY DRAWN BETWEEN LIMITED OFFICIAL USE

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CUBA AND ITS COMMUNIST ALLIES ON THE ONE HAND, AND MOST OTHER DELEGATIONS, ON THE OTHER, WITH AUSTRALIA TAKING THE LEAD, SUPPORTED BY BRAZIL, US AND CANADA. ESSENCE OF AUSTRALIAN ARGUMENT WAS THAT THE SUGAR WORLD HAD CHANGED DRASTICALLY SINCE THE 1968 INTERNATIONAL SUGAR AGREEMENT (ISA), AND THAT NEW ISA MUST ENCOMPASS AND REGULATE SPECIAL ARRANGEMENTS, NOT JUST BE ACCOMMODATED TO THEM. AUSTRALIA POINTED OUT THAT IN CONTRAST TO THE LOME CONVENTION, CUBAN ARRANGEMENTS POSED A SERIOUS DESTABILIZING THREAT TO THE FREE MARKET, PARTICULARLY BECAUSE OF POSSIBILITY OF SUDDEN SWINGS IN SUPPLY/DEMAND SITUATION DUE TO HIDDEN CHANGES IN CUBAN-SOCIALIST COUNTRY TRADE UNDER THE ARRANGEMENTS. AUSTRALIA SAID ALTERNATIVES WERE TO ACCEPT FLUCTUATIONS AND INEQUITIES IMPLICIT IN OLD 1968 ISA APPROACH, OR TO DEFINE ARRANGEMENTS SO FLUCTUATIONS COULD BE ANTICIPATED AND CONTROLLED. AUSTRALIAN SOLUTION WAS TO PLACE FIXED QUANTITATIVE LIMITS ON EXPORTS UNDER SPECIAL ARRANGEMENTS, WITH ANYTHING IN EXCESS CHARGED TO QUOTA. FOR STARTERS, AUSTRALIA REQUESTED THE CUBAN DELEGATION TO (A) JUSTIFY ITS

DEMAND FOR EXCLUSION OF MUCH (SOME 65 PERCENT) OF ITS TRADE FROM ISA DISCIPLINE, AND (B) PROVIDE DETAILS ON ITS TRADE WITH SOCIALIST COUNTRIES ON A COUNTRY-BY-COUNTRY, BY TONNAGE, BASIS.

3. BRAZIL IN A SHORTER STATEMENT, EMPHASIZED CHANGED NATURE OF WORLD MARKET, PRIMACY OF ISA, AND NEED TO KNOW DETAILS. BRAZIL SAID IT WOULD (AND SUBSEQUENTLY DID) PRESENT AN AMENDMENT DESIGNED TO COVER FUTURE SPECIAL ARRANGEMENTS. US GENERALLY ASSOCIATED SELF WITH AUSTRALIA AND BRAZIL, EMPHASIZING NEED TO CONTROL RE-EXPORTS AND FOR "TRANSPARENCY" IN THE ARRANGEMENTS THEMSELVES. EEC EXPRESSED WILLINGNESS TO MAKE DETAILS OF ITS ARRANGEMENTS KNOWN AND EXPRESSED DESIRE TO KNOW MORE ABOUT CUBA'S ARRANGEMENTS.

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EPG-02 /128 W

-----231100Z 003805 /10

R 230749Z MAY 77
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4. CUBA SET FORTH ITS CASE IN SOME DETAIL (ALONG LINES OF
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THAT REPORTED IN REFTEL), BUT DID NOT PROVIDE TRADE DATA
NOR OTHER DETAILS OF ITS TRADING ARRANGEMENTS AS REQUESTED
BY AUSTRALIA. ESSENCE OF CUBA'S ARGUMENT WAS THAT SUGAR
EXPORTS CONSTITUTED ESSENTIAL SOURCE OF EARNINGS, THE
AGREEMENTS WERE FOR GOODS (BARTER) SO OF NO CONCERN TO THE
FREE MARKET, CUBA WAS IN PROCESS OF INTEGRATING ITS ECONOMY
WITH THE SOCIALIST WORLD, AND CUBA HAD BEEN DENIED ACCESS
TO THE US MARKET FOR POLITICAL REASONS. CUBA SAID ONLY
PROBLEM WHICH SHOULD CONCERN ISA MEMBERS WAS HOW MUCH
SOCIALIST COUNTRIES WOULD EXPORT TO FREE MARKET AND HOW
MUCH SOCIALIST COUNTRIES WOULD IMPORT FROM THE FREE MARKET.
FERNANDEZ SAID HE WAS WORKING ON A PROPOSAL FOR ELIMINATING
POSSIBLE DESTABILIZING EFFECTS OF CUBA'S SPECIALIST AGREEMENTS,
BUT COULD NOT REPORT DETAILS UNTIL CONSULTATIONS COMPLETE.
SUBSEQUENTLY, FERNANDEZ LEFT FOR MOSCOW AND WORD PUT OUT
BY CUBANS WAS THAT HE WOULD BE PREPARED TO TABLE A NEW
ARTICLE DESIGNED TO PUT QUANTATIVE LIMITS ON RE-EXPORTS
BY TUESDAY, MAY 24.

5. WORKING GROUP ACCOMPLISHED FIRST READING OF
ARTICLES 26 - 31 (INCLUSIVE) AND 33 (2) (3), AND PROPOSED
AMENDMENTS THERETO. ARTICLE 29 WAS GIVEN PROVISIONAL
APPROVAL AFTER SLIGHT AMENDMENT. A PROPOSED AMENDMENT BY
THE PHILIPPINES DESIGNED TO DEFINE ITS LONG-TERM CONTRACTS
AS SPECIAL ARRANGEMENTS RECEIVED A HOSTILE RECEPTION, BUT
FINAL DISPOSITION WAS POSTPONED IN ABSENCE OF A PHILIPPINE
SPOKESMAN. NEXT MEETING SCHEDULED FOR MONDAY, MAY 23, BUT
LITTLE PROGRESS SEEMED POSSIBLE BEFORE FOLLOWING DAY. SORENSON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SUGAR, NEGOTIATIONS, COMMITTEE MEETINGS, MEETING REPORTS, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Sent Date: 23-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977GENEVA04000
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770183-0018
Format: TEL
From: GENEVA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770529/aaaaazai.tel
Line Count: 213
Litigation Code IDs:
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Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 63c1428c-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 GENEVA 3931
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 17-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2411092
Secure: OPEN
Status: NATIVE
Subject: SUGAR NEGOTIATIONS: MEETINGS OF WG-V, ON SCOPE OF AGREE- MENT (SPECIAL ARRANGEMENTS).
TAGS: ETRD, UNCTAD
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/63c1428c-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009